C O N F I D E N T I A L AMMAN 001599

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E.O. 12958: DECL: 03/01/2016
TAGS: EFIN ECON KWBG KPAL KTFN JO
SUBJECT: CENTRAL BANK GOVERNOR ON IMPLICATIONS FOR JORDAN'S
BANKS IF HAMAS FORMS A GOVERNMENT

REF: AMMAN 1405

Classified By: Ambassador David Hale for reasons 1.4 (b,d).

¶1. (C) SUMMARY: In the wake of Hamas' victory in the
Palestinian elections, the Central Bank of Jordan (CBJ) will
continue to require Jordanian banks to apply
terrorism-financing sanctions against all accounts held by
Hamas individuals. According to CBJ Governor Umayya Toukan,
deciding what to do with PA "government accounts" in the
event of a Hamas-led PA presents a thornier challenge. If
Hamas forms a Palestinian government, Jordanian banks will
need coordinated guidance from the GoJ and the USG. The CBJ
released new anti-money laundering regulations on March 1
said to be more in line with international best practices.
END SUMMARY.

¶2. (C) CBJ Governor Umayya Toukan discussed Arab Bank's
recent request for USG guidance on how to handle financial
transactions for a Palestinian Authority (PA) potentially led
by Hamas (reftel). In a February 26 meeting with the
Ambassador, Toukan's team began by describing the difficult
predicament all Jordanian banks find themselves in. In
monetary terms, while Jordanian banks do not have large
stakes in the Palestinian territories compared with their
overall holdings, they do handle most banking transactions in
the West Bank. Requests to shut down all operations would be
politically very difficult, explained Deputy Governor Faris
Sharaf. For Arab Bank - the largest bank in Jordan - while
the capital risk in its eight branches in the West Bank is
limited to approximately $60 million (mostly held in PA
accounts), the bank was "born" in Jerusalem and handles
nearly 60% of all banking transactions in the Palestinian
territories. Sharaf said requiring Arab Bank to stop
operations in the West Bank would be a major blow to the
bank.

¶3. (C) Sharaf described the three types of accounts in
Jordanian banks which could be affected: 1) those held by
public institutions which receive funds from the PA (e.g.,
power plants); 2) municipality-based accounts which receive
funds from the PA to manage local government activities; and
3) PA government accounts which include direct deposits from
aid organizations like the UN and USAID.

¶4. (C) CBJ officials had numerous questions on how the USG
would categorize a Hamas-led PA: What, if any, action would
be mandated against these various types of accounts if the
new PA is ultimately deemed to be a "terrorist organization?"
 What if the new PA government is a coalition between Hamas
and Fatah? What benchmarks would be used to define control
of the PA and its subordinate entities? Without guidance on
how to handle these possible scenarios, Toukan's team
explained, the CBJ will be hard-pressed to formulate
regulatory policy for Jordanian banks. In the end, "the CBJ
will take whatever position the Jordanian government takes,"

Toukan emphasized. Clear and pro-active USG input will be
important, Toukan added.

New Anti-Money Laundering Controls

¶5. (C) CBJ Deputy Governor Sharaf said that, in the absence
of an established Anti-Money Laundering law, the CBJ plans to
release new AML regulations which he said would be more in
line with international best practices. Released on March 1,
the regulations should "raise your confidence level,"
explained Sharaf. NOTE: The Embassy will obtain these
regulations and relay them to Washington. COMMENT: On March
5, the Deputy Prime Minister confirmed to Ambassador that the
Prime Minister has informed Parliament that the AML law is a
priority. END NOTE AND COMMENT.

¶6. (U) Read all of Amman's Classified cable traffic at
http://cables.state.sgov.gov/ncddos/cable/cou ntry/
JOR/home.html.
HALE